

# **SENATE APPROPRIATIONS AND REVENUE COMMITTEE PRESENTATION**

## **2022 – 2024 GOVERNOR'S RECOMMENDED BUDGET**

**JANUARY 19, 2022**

**JOHN HICKS, STATE BUDGET DIRECTOR**

**Office of State Budget Director**

# Our Future is Now

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- ❑ The Kentucky Economy is Surging
- ❑ Record New Private Sector Investments
- ❑ Kentucky's Finances Vaulted to Historic Position
- ❑ All-time Record-Setting Revenue Surplus
- ❑ Governor's Budget takes the opportunity to make investments today for future prosperity

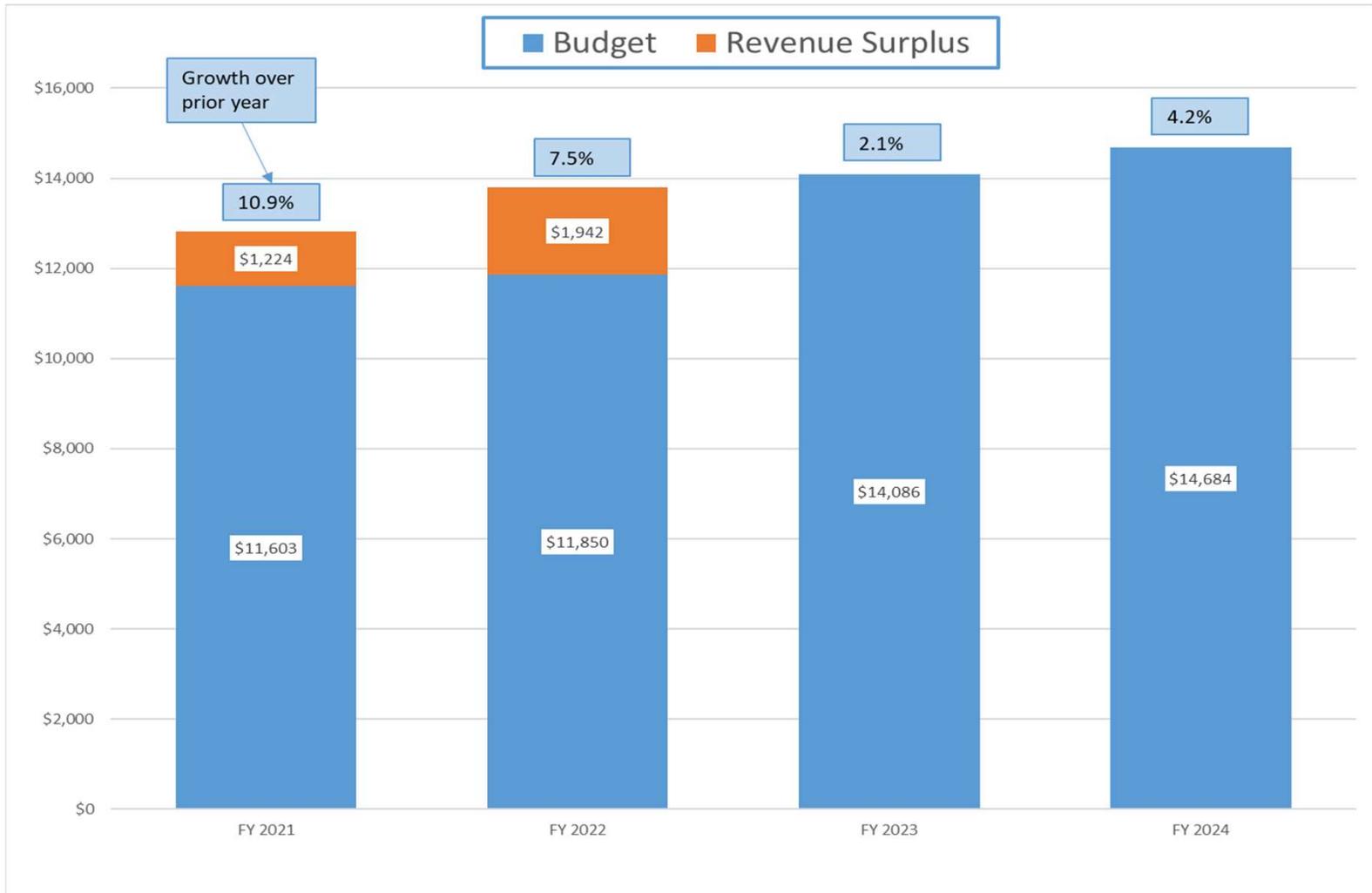
# A Responsible and Real Budget

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- Sound Economic Assumptions – Consensus Forecasting Group
  - ▣ Comprised entirely of outside economists/experts-only State in the Country with this structure
- Nonrecurring Resources used solely for Nonrecurring Spending
- Pays Down on Pension Liability
- Largest Budget Reserve Trust Fund Ever
- Pays Down on Deferred Maintenance Debt
- More than Structurally Balanced
- Disaster Relief and Recovery – Natural Disaster Preparedness
- Debt Service Ratio 3.68% - Lowest Since Policy Cap of 6% was adopted

# General Fund Revenues

(Actual FY21, Estimated FY22, FY23 and FY24; Millions\$)



# General Fund – FY 2022

(Million \$, FY 2022 Enacted, Official CFG FY 2022 Estimate from December 17, 2021)

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	<u>Enacted</u>	<u>Estimate</u>	<u>Diff</u>
Individual Income	\$5,004.1	\$5,424.7	\$420.6
Sales & Use	4,336.0	4,950.7	614.7
Corp. Inc. & LLET	469.1	970.5	501.4
Property	681.7	714.0	32.3
Lottery	292.0	319.3	27.3
Cigarettes	335.0	334.7	(0.3)
Coal Severance	51.9	64.1	12.2
Other	680.1	1,014.0	334.0
<b>Total</b>	<b>\$11,849.8</b>	<b>\$13,791.9</b>	<b>\$1,942.1</b>

# General Fund Forecast 2022-24

(Million \$, Official CFG estimates from December 17, 2021)

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	<b><u>FY22</u></b>		<b><u>FY23</u></b>		<b><u>FY24</u></b>	
	<b><u>Estimate</u></b>	<b><u>%Chg</u></b>	<b><u>Estimate</u></b>	<b><u>%Chg</u></b>	<b><u>Estimate</u></b>	<b><u>%Chg</u></b>
Individual Income	\$5,424.7	5.5	\$5,650.3	4.2	\$5,868.8	3.9
Sales & Use	4,950.7	8.5	5,239.4	5.8	5,519.0	5.3
Corp. Inc. & LLET	970.5	9.9	912.0	-6.0	967.5	6.1
Property	714.0	1.6	740.0	3.6	765.6	3.5
Lottery	319.3	10.4	335.0	4.9	347.0	3.6
Cigarettes	334.7	-4.3	322.0	-3.8	309.1	-4.0
Coal Severance	64.1	14.3	76.6	19.5	75.2	-1.8
Other	1,014.0	20.4	810.6	-20.1	831.8	2.6
<b>Total</b>	<b>\$13,791.9</b>	<b>7.5</b>	<b>\$14,085.8</b>	<b>2.1</b>	<b>\$14,684.0</b>	<b>4.2</b>

# Road Fund Forecast for 2022-24

(Million \$, Official CFG estimates from December 17, 2021)

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	<b>FY22</b>		<b>FY23</b>		<b>FY24</b>	
	<u>Estimate</u>	<u>%Chg</u>	<u>Estimate</u>	<u>%Chg</u>	<u>Estimate</u>	<u>%Chg</u>
Motor Fuels	788.3	5.3	833.8	5.8	817.2	-2.0
Motor Vehicle Usage	619.7	-0.2	603.7	-2.6	569.1	-5.7
Motor Vehicle License	116.6	-7.1	119.1	2.1	121.0	1.6
Motor Vehicle Operators	25.8	16.8	27.1	5.0	28.3	4.4
Weight Distance	90.5	8.7	94.6	4.6	96.6	2.1
Other	39.4	-0.1	41.7	0.1	44.6	0.1
<b>Total</b>	<b>1,680.1</b>	<b>2.3</b>	<b>1,719.9</b>	<b>2.4</b>	<b>1,676.7</b>	<b>-2.5</b>

# Recurring Revenue vs. Recurring Spending

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## Governor's Budget Recommendation

	<b>General Fund FY 2023</b>	<b>General Fund FY 2024</b>
Recurring revenues	\$14,086	\$14,684
Recurring spending	<u>\$13,029</u>	<u>\$14,051</u>
Difference	\$1,057	\$633

# Historic Level of Resources to Build A World-Class Education System

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- **Governor's Budget Adds nearly \$2 Billion to the Education Budget (Pre-K through High School)**
  - **\$915 million - Fiscal Year 2023**
  - **\$983 million - Fiscal Year 2024**

# Historic Level of Resources to Build A World-Class Education System

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- **SEEK - Funding Increased by 16.9% over FY 2022 Budget**
  - **\$441.8 million** - Fiscal Year 2023
  - **\$517.5 million** - Fiscal Year 2024
  - Largest Increase Since 1990 Education Reform Act and Formula Funding Model Increases

# Historic Level of Resources to Build A World-Class Education System

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- ▣ **SEEK Per Pupil Base Increase of 12.5%**
  - \$4,000 - FY 2022 \$4,300 - FY 2023 \$4,500 - FY 2024
  - Still less than inflation-adjusted amount since 2008
- ▣ **Fully Funds Pupil Transportation** +\$175 million each year & fully funds Vocational Education transportation
- ▣ **Equalizes School District Local Tax Levies**  
Dedicated to Capital Improvements – additional \$74 and \$62 million in FY 2023 and FY 2024
- ▣ **Nat'l Board Certification Salary Fully Funded**

# Historic Level of Resources to Build A World-Class Education System

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- ❑ **Universal Preschool for all Four-Year-Olds** \$172 million each year
- ❑ **Full-Day Kindergarten** funded
- ❑ **Teacher/School Employee Salary & Benefits**
  - ▣ Minimum 5% Salary Increase for all staff in FY 2023
  - ▣ No health insurance premium increase
  - ▣ Fully funds teachers' pensions & medical benefits
- ❑ **Teacher Student Loan Forgiveness Program**
  - ▣ \$26.3 million annually for max \$3,000 annual award for each year employment as a teacher

# Historic Level of Resources to Build A World-Class Education System

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## □ **Career and Technical Education**

- \$97.4 million in FY 2022 to renovate another 11 local area vocational centers – already scored
- Another \$75 million pool for a new round of applications to renovate secondary centers
- \$8 million each year to 12 locally operated vocational centers-left out of formula funding for up to 12 years
- \$6.8 million over two years for State Operated Career and Technical Centers

# Historic Level of Resources to Build A World-Class Education System

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## **Additional Annual Education Funding (in millions \$)**

- Professional Development - \$11.9 – past cuts
- Textbooks/Instructional Resources - \$11 - past cuts
- Social Emotional/Mental Health - \$6.2
- Educational Technology - \$4.1 - past cuts
- Turnaround Schools - \$14.4
- Family Resource & Youth Service Centers - \$6
- Early Learning Initiative - \$11
- Restore statutory local Library Grants - \$2.5 million

# Historic Level of Resources to Build A World-Class Education System

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## Postsecondary Education

- **Base Funding Increases** – nearly 12% over biennium
  - \$67.5 million – FY 2023
  - \$90.0 million – FY 2024
  
- **Bucks for Brains Endowment Match** \$60 million bond funds to be matched dollar for dollar
  - University of Kentucky                      \$33.3 million
  - University of Louisville                      \$16.7 million
  - Comprehensive Universities              \$ 10.0 million

# Historic Level of Resources to Build A World-Class Education System

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- **\$500 million Asset Preservation** to pay down the debt of deferred maintenance for nine postsecondary institutions to match each dollar with fifty cents bringing total investment to \$750 million
- **Better Kentucky Promise Scholarship – Free Tuition & Fees for up to Associate Degree**
  - ▣ \$16.3 million – FY 2023 funding 6,000 recipients
  - ▣ \$27.7 million – FY 2024 funding 9,700 recipients
- **Pension Subsidy Relief**
  - ▣ Preventing cut of \$6.6 million over two years

# Historic Level of Resources to Build A World-Class Education System

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- **New Construction Projects**
  - 19 Projects – Bond funds of \$1.0 billion
- **Needs-Based Student Financial Aid**
  - Increase College Access Program (CAP) Grant Award from \$2,900 to \$3,300 in FY 2024
- **KEES – Fully Funded**

# Federal American Rescue Plan Act Spending

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\$1 Billion Remains to be Appropriated from the State Fiscal Recovery Fund of the American Rescue Plan Act

□ The Governor Proposes the following uses:

□ Premium pay for essential workers	\$400.0 million
□ Water and Wastewater infrastructure grants	250.0 million
□ Assistance to nonprofit organization (\$10 million set aside for arts organizations)	75.0 million
□ COVID-19 mitigation	179.9 million
□ Nursing student loan forgiveness & media effort	27.0 million
□ Senior Meals-no waitlist	36.2 million
□ Child Care Assistance-\$2/day	24.0 million
□ Behavioral Health facilities testing	11.7 million
□ Kentucky travel marketing	10.0 million

# Enhancing Public Safety and Victim Services

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- **Kentucky State Police – Salary Increases for Retention & Recruitment**
  - ▣ \$15,000 Pay increase for Troopers \$8,000 Pay increase for Telecommunicators
  - ▣ Trooper Retirement Plan – Return to Tier II Plan from Tier III Hybrid Cash
  - ▣ \$12.1 million for State Police Body Cameras
- **Training Stipend Increase for Law Enforcement & Firefighters**
  - ▣ 25% increase from \$4,000 to \$4,600

# Enhancing Public Safety and Victim Services

20

- **Supports Prosecutors & Victim Services (Marsy's Law)**
  - ▣ Commonwealth Attorneys - adds \$26 million over the biennium to support 139 additional positions
  - ▣ County Attorneys - adds \$30 million over the biennium to support 165 additional positions
- **Corrections and Juvenile Justice** – Return retirement plans to Tier II from Tier III Hybrid Cash - recruitment and retention
- **Probation & Parole Caseloads**
  - ▣ \$5.1 million over the biennium for additional Probation and Parole Officers to maintain caseload of 99:1
- **Replace Kentucky State Reformatory**
  - ▣ Expand Little Sandy Correctional Complex
  - ▣ Relocate Corrections Medical Facility

# Protecting and Expanding Health Care

21

## □ **Nursing Scholarship Program**

- \$6 million annually for at least 1,000 recipients compared to current 150 & double the max award per semester to \$3,000

## □ **Nursing Student Loan Forgiveness**

- \$5 million each year for five years for up to \$3,000 per year for each year employed in KY, including nursing faculty - from the American Rescue Plan Act

## □ **Outreach and Marketing Nursing Profession**

- \$2 million from American Rescue Plan Act

# Protecting and Expanding Health Care

22

- **Fully Funds Medicaid & Medicaid Expansion**
- **Michelle P. and Supports for Community Living**
  - 500 new slots for Michelle P., 100 for SCL
- **Nursing Home Facilities**
  - \$150 million annually to support Nursing Homes
  - \$29 per diem Reimbursement Rate Increase Extended
- **988 Crisis Support Line**
  - New National Crisis Line-Replacing Suicide Prevention Line
  - \$3.4 million in FY 2023 and \$9.9 million FY 2024 to phase in additional crisis support staff

# Protecting and Expanding Health Care

23

- **Public Health Transformation-Local Health Depts**
  - \$17.7 in FY 2023 and \$19.1 million in FY 2024
- **State Laboratory-Expansion for Public Health**
- **Pension Subsidy-Health Depts & Community Mental Health Centers**
  - Prevents cut of \$13.3 million two years-Health Depts
  - Prevents cut of \$2.5 million over two years-CMHCs
- **Pediatric Research Trust Fund** - Adds \$1.25 million each year for Pediatric Cancer research

# Protecting Children and Families

24

## □ **Social Workers**

- ▣ 350 more Social Workers to reduce caseloads by 25%
- ▣ Student Loan Forgiveness Program – Provides \$2.1 million each year for a max \$3,000 annual award for each year employed by Community Based Services

## □ **Child Care Assistance**

- ▣ \$12 million each year to provide a \$2/day increase using American Rescue Plan Act funds

## □ **Prevention Services for Abused & Neglected Children**

- ▣ \$19.6 million each year

## □ **Child Advocacy, Domestic Violence, Rape Crisis Centers**

- ▣ 34% Increase in funding equates to \$5,668,00 each year

# Protecting Children and Families

25

- **Senior Meals – Ensure No Waitlist**
  - ▣ \$36.2 million over next two and a half years from the American Rescue Plan Act
  - ▣ 49,000 additional meals per week
- **New Office of Dementia Services**
  - ▣ 2021 legislation to support services to 73,000 affected
- **Caregiver and Hart-Supported Living Programs**
  - ▣ Additional \$2 million over the biennium
- **Residential & Therapeutic Foster Care**
  - ▣ 17% Rate Increase

# Preparing a World-Class Workforce

26

- **Workforce Initiative – Job Commitment Grants**
  - ▣ \$20 million each year – competitive grants to education & training entities for programs that combine an employer’s commitment to hire
  - ▣ Expand Everybody Counts to other Ky locations
- **Unemployment Insurance Field Services**
  - ▣ 90 positions to restore field services cutbacks
- **Urban League of Louisville – CDL Training**
  - ▣ \$667,000 each year for CDL training
- **Area Health Education Centers** to restore state funding to promote health care workforce - \$2.5 million each year
- **Talent Attraction Media Campaign** - \$10 million each year to attract talent to Kentucky

# Creating and Attracting Jobs

27

- **Site Identification & Development Program**
  - ▣ \$250 million in one-time funds for build-ready sites
- **Northern Kentucky Life Sciences Lab** – Investment of \$10 million with City of Covington & life sciences companies
- **AgriTech Research and Development Facility**
  - ▣ \$75 million to support state-of-the-art AgriTech R & D in Eastern Kentucky
- **Worker Training Investment**
  - ▣ \$5 million over the biennium for up-skilled robotics and advanced manufacturing training

# Investing in Our Public Employees

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## □ **Salary Increases for State Employees**

- Governor proposed a 5% increase effective May 1, 2022 & supports House's 6% increase, with a May 1 date

## □ **Fully Funds & Pays Down Pension Liabilities**

- \$250 million in FY 2023 & \$500 million in FY 2024
- Reduce amortization period extended 6 years by the 2020 Regular Session by 2 years -nonhaz plan

## □ **Health Insurance – No Employee Premium Increases for next two years**

# Infrastructure Investment

29

- **\$959.6 million Federal Infrastructure Investment & Jobs Act**
  - ▣ 22% increase from federal Highway Trust Fund FY 2022
  - ▣ Additional state match of \$184.9 million leverages \$774.7 million additional Federal
- **\$250 million General Fund for Major Transportation Projects**
  - ▣ Brent Spence Bridge, I-69 Ohio River Crossing & Mountain Parkway
- **2022-2024 Biennial Highway Construction Plan**
  - ▣ \$8.5 billion state and federal program revenues
  - ▣ \$600 million annually in pavements and bridges
- **\$100 million Electric Vehicle Charging Stations**
  - ▣ \$69.5 million federal Infrastructure Investment & Jobs Act
  - ▣ \$30.5 million General Fund for state match and purchase electric vehicles for state fleet

# Infrastructure Investment

30

- **Better Kentucky Cleaner Water Program - \$500 million**
  - \$250 million from federal American Rescue Plan Act
  - \$247.7 million from federal Infrastructure Investment & Jobs Act; which is an increase of \$159.3 million over the baseline federal program
  
- **\$200 million Broadband Expansion**
  - \$100 million from federal Infrastructure Investment & Jobs Act
  - \$55.8 million - American Rescue Plan Act
  - \$44.2 million General Fund
  - \$500 million total when combined with 2021 Session's \$300 million
  
- **Aviation Infrastructure**
  - \$50 million grant program for General Aviation Airports
  - \$6 million for the Paducah Airport Terminal construction

# Partnering with Local Governments

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- **All Coal Severance Tax Revenue to Coal Counties**
  - ▣ Return 100% to coal-producing counties +\$40 million/year
- **County Clerks - \$50 million Investment**
  - ▣ \$25 million to transition recorded instruments to electronic
  - ▣ \$25 million to acquire election equipment
- **Property Valuation Administrators**
  - ▣ \$5.6 million over the biennium for additional 45 positions
- **Area Development Districts**
  - ▣ Additional \$500,000 over biennium to match increase in the Appalachian Regional Commission Grants

# Investing in Veterans

32

- ❑ **Investments over the biennium for Veterans:**
  - ❑ Homeless Veterans Program - \$400,000
  - ❑ Veteran Benefit Field Representatives - \$1.4 million
  - ❑ Expand Outreach Programs - \$600,000
  - ❑ Veterans Cemeteries-staffing to meet interment needs
  - ❑ Kentucky Medal of Honor permanent memorial
  - ❑ Phase-in operations of the Bowling Green Veterans Center in FY 2024

# Tourism

33

- **Parks Improvement Pool - \$200 million General Fund**
  - ▣ Essential projects to maintain, renovate, repair, replace, and expand to preserve and enhance State Park facilities
- **Kentucky Tourism Marketing**
  - ▣ \$10 million from the American Rescue Plan Act to market the safe return of visitors to Kentucky's tourism destinations

# Enhancing Fiscal Responsibility

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- **Budget Reserve Trust Fund – Largest Ever**
  - ▣ Current Balance \$1.5 billion + \$250 million in FY 2023
  - ▣ Raises balance to \$1.76 billion -12.5% of FY 2023 Estimated Revenues
- **More than Structurally Balanced** – In FY 2024, recurring revenues exceed recurring spending by 5%
- **Preparing for Natural Disasters**
  - ▣ \$100 million new Disaster Relief & Recovery Fund
- **Paying Down Debt-Deferred Maintenance-\$1.2 billion**
  - ▣ \$956 million in General Fund
  - ▣ \$250 million Postsecondary Education match

# Doing What is Right

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- **Commission on Women** – restore its funding
- **Commission on Human Rights** – restore recent budget cuts
- **Office of Minority Empowerment** – restore its funding

# QUESTIONS